

Message Text

CONFIDENTIAL

PAGE 01 OECD P 02404 01 OF 03 281921Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 INRE-00 SSO-00 NSCE-00 EURE-00 FEA-01

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OMB-01 PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01

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INFO AMEMBASSY BERN

C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 02404

PASS TREASURY FOR BENNETT

E.O. 11652: GDS

TAGS: EINV, EFIN, ENRG, OECD

SUBJECT: PROCEDURES FOR OECD DISCUSSION OF TREATMENT
OF INVESTMENT BY OIL PRODUCING COUNTRIES

REF: A) STATE 5853; B) OECD PARIS 1419;

C) OECD PARIS 1974

1. SUMMARY. SECRETARIAT HAS INFORMALLY RAISED WITH
MISSION QUESTION HOW US WOULD REACT TO HANDLING OECD
DISCUSSION OF ISSUES REGARDING TREATMENT OF OPEC
INVESTMENTS IN OECD AREA INITIALLY IN RESTRICTED GROUP
OF XCSS TO MEET AROUND MID-FEBRUARY. THIS PROCEDURE
ENVISIONED AS RESPONDING TO NEED FOR PREPARATIONS ON
THESE ISSUES FOR PRODUCER-CONSUMER DIALOGUE (INCLUDING
ANY PREPARATIONS THEREON IN IEA CONTEXT). EARLY
WASHINGTON GUIDANCE REQUESTED. END SUMMARY.

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PAGE 02 OECD P 02404 01 OF 03 281921Z

2. ASSISTANT SEC GEN ABRAMOWSKI HAS APPROACHED MISSION REQUESTING INFORMAL US REACTIONS TO POSSIBLE PROCEDURE FOR HANDLING ISSUES CONCERNING INVESTMENT BY OIL PRODUCING COUNTRIES, WHICH REFLECT PRELIMINARY THINKING OF SECRETARIAT AND XCSS CHAIRMAN JOLLES. ABRAMOWSKI NOTED DESIRABILITY OF HAVING QUICK AGREEMENT ON PROCEDURE FOR HANDLING THESE ISSUES, IN VIEW PRESSURE TO HAVE POSITIONS PREPARED ON THEM FOR PRODUCER-CONSUMER DIALOGUE. ABRAMOWSKI AWARE THAT THIS QUESTION LIKELY TO COME UP IN CONTEXT FEBRUARY 6 GOVERNING BOARD MEETING OF IEA (REFTEL C).

3. ABRAMOWSKI BELIEVES THAT OVER LONGER TERM WILL BE LOGICAL FOR OPEC INVESTMENT QUESTIONS TO BE TREATED IN NEW COMMITTEE ON INTERNATIONAL INVESTMENT WHICH ESTABLISHED BY OECD COUNCIL ON JANUARY 21 (SEPTEL). HOWEVER, SECRETARIAT CONSIDERS THAT IT WOULD BE DIFFICULT TO SEIZE THIS COMMITTEE RIGHT AWAY WITH POSSIBLY CONTROVERSIAL OPEC INVESTMENT PROBLEM, WHICH WHILE COULD BE ACCOMMODATED WITHIN COMMITTEE'S TERMS OF REFERENCE, DOES NOT CLEARLY FLOW FROM LEGISLATIVE HISTORY IN XCSS WHICH LED TO CREATION OF INVESTMENT COMMITTEE. FOR THIS REASON, AND GIVEN NEED FOR SPEED AND HIGH LEVEL ATTENTION, SECRETARIAT HAD BEEN GIVING THOUGHT TO CALLING TOGETHER SPECIAL AD HOC GROUP FOR INITIAL LOOK AT OPEC INVESTMENT ISSUES. COINCIDENTLY, ABRAMOWSKI SAID, XCSS CHAIRMAN JOLLES HAD BEEN GIVING CONSIDERATION TO LAUNCHING DISCUSSION ON OPEC INVESTMENTS IN XCSS. GIVEN THAT NEXT XCSS MEETING NOT SCHEDULED UNTIL MARCH (PRELIMINARY DATES ARE MARCH 11-12), JOLLES BELIEVES MIGHT BE USEFUL CALL TOGETHER INFORMAL RESTRICTED GROUP OF XCSS (CONSISTING MAINLY OF OECD'S BIG SEVEN MEMBERS) TO PREPARE GROUND FOR ADOPTION OF POSITION BY XCSS IN MARCH. JOLLES IS UNDERSTOOD TO HAVE BROACHED THIS IDEA TO UNDER SECRETARY ROBINSON AND PERHAPS OTHERS (MENTIONING POSSIBLE MID-FEBRUARY DATE FOR SUCH RESTRICTED MEETING) DURING HIS RECENT TRIP TO WASHINGTON. (ABRAMOWSKI STATED HE HAS INFORMED STEEG OF SECRETARIAT/JOLLES PROPOSAL AND REPORTS SHE HAS NO OBJECTIONS.)

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PAGE 03 OECD P 02404 01 OF 03 281921Z

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PAGE 01 OECD P 02404 02 OF 03 281928Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 INRE-00 SSO-00 NSCE-00 EURE-00 FEA-01

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C O N F I D E N T I A L SECTION 02 OF 03 OECD PARIS 02404

4. AS RESULT CONTACTS BETWEEN SECRETARIAT AND JOLLES, PREPARATIONS COULD GO FORWARD FOR MEETING OF RESTRICTED XCSS GROUP IF PRINCIPAL COUNTRIES ARE AGREEABLE TO HANDLE OPEC INVESTMENT ISSUES IN THIS WAY. SECRETARIAT WOULD PLAN PROVIDE PAPER FOR DISCUSSION BY XCSS RESTRICTED GROUP WHICH WOULD INTER ALIA POSE QUESTIONS INCLUDING:

A) POLICY WITH RESPECT TO ANY INVESTMENT INCENTIVES BY OECD COUNTRIES AIMED AT ATTRACTING INVESTMENTS FROM OPEC.

B) WHAT ARE THE MAIN SENSITIVITIES WITH REGARD TO OPEC INVESTMENTS, E.G. POTENTIAL AREAS OF INVESTMENT, VOLUME, CONCENTRATION, ETC.?

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PAGE 02 OECD P 02404 02 OF 03 281928Z

C) WHETHER PRESENT NATIONAL SECURITY AND OTHER SAFEGUARDS AGAINST FOREIGN INVESTMENT ARE SUFFICIENT OR SHOULD BE EXTENDED?

D) WHETHER COUNTRIES BELIEVE IT MAY BE NECESSARY TO CONTEMPLATE ADOPTION OF FORMAL DISCRIMINATION IN THEIR LAWS AND REGULATIONS AS BETWEEN INVESTMENT FROM WITHIN THE OECD AND INVESTMENT FROM OPEC COUNTRIES?

E) WHAT SHOULD BE SAID TO THE OPEC COUNTRIES IN A PRODUCER-CONSUMER CONFERENCE, E.G., SHOULD OPEC COUNTRIES BE REQUESTED TO AVOID CERTAIN TYPES OF INVESTMENTS?

F) SHOULD NOTIFICATION PROCEDURES ON FOREIGN INVESTMENT BE IMPROVED?

G) WOULD IT BE USEFUL TO DEVELOP PROPOSALS FOR THE ESTABLISHMENT OF SOME KIND OF PRODUCER-CONSUMER INVESTMENT FUND OR SIMILAR VEHICLE WHICH IN ITSELF WOULD HELP AVOID EXCESSIVE CONCENTRATION OF INVESTMENT IN AREAS WHICH OECD CONSUMING COUNTRIES CONSIDER UNDESIRABLE?

5. COMMENT.

WE ASSUME THAT DEVELOPMENT OF POSITIONS ON OPEC INVESTMENT QUESTIONS COULD FOLLOW PATTERN OF SOLIDARITY FUND WHERE SUBSTANTIAL WORK IS BEING UNDERTAKEN OUTSIDE OF IEA AND FUNCTION OF US-PROPOSED AD HOC GROUP IN IEA WOULD BE TO MELD THE SUBSTANTIVE RESULT INTO FRAMEWORK OF POLITICAL AND TECHNICAL PREPARATIONS OF IEA POSITIONS FOR MEETING WITH PRODUCERS. HAVING IN MIND FRANCE'S ABSENCE FROM IEA, USEFUL HISTORY OF XCSS EXPERIENCE IN INVESTMENT FIELD, HIGH LEVEL OF XCSS PARTICIPANTS AND POSSIBILITY USING INFORMAL XCSS "BUREAU" AS RESTRICTED FORUM, AT LEAST INITIALLY, THERE MAY WELL BE ADVANTAGES TO SECRETARIAT/JOLLES APPROACH, ESPECIALLY IF RESULTS OF POSITIONS DEVELOPED IN XCSS ON OPEC INVESTMENT ISSUES CAN BE SMOOTHLY CHanneled INTO IEA PREPARATIONS FOR CONSUMER-CONFIDENTIAL

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PAGE 03 OECD P 02404 02 OF 03 281928Z

PRODUCER DIALOGUE' THROUGH MEANS SUCH AS AD HOC

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PAGE 01 OECD P 02404 03 OF 03 281920Z

51

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C O N F I D E N T I A L SECTION 03 OF 03 OECD PARIS 02404

FINANCIAL GROUP IN IEA PROPOSED BY US (REFTEL A).
NOR WOULD INITIAL DISCUSSION OF OPEC
INVESTMENT ISSUE IN XCSS "BUREAU" PRECLUDE IN DEPTH
EXERCISE IN NEW INVESTMENT COMMITTEE WHICH NOW
SCHEDULED TO MEET SOMETIME IN SECOND HALF OF FEBRUARY
(DATES STILL NOT SET AND BEING DISCUSSED BETWEEN
SECRETARIAT AND STEEG).

6. IN VIEW DESIRABILITY HAVE POSITIONS AND PROCEDURES
ON HANDLING FINANCIAL AND INVESTMENT MATTERS
CLARIFIED BY NEXT WEEK'S MEETING OF IEA AND IN LIGHT
IMMINENCE MID-FEBRUARY DATE SUGGESTED BY SECRETARIAT/
JOLLES FOR RESTRICTED MEETING OF XCSS, WOULD APPRECIATE
GUIDANCE SOONEST ON WHAT US REACTION WE MAY CONVEY
TO ABRAMOWSKI.
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